

To: Sackler, Mortimer D.A. [REDACTED]
Cc: Boer, Peter [REDACTED]; Lewent, [REDACTED]
Judy [REDACTED]; Pickett, [REDACTED]
Cecil [REDACTED]
[REDACTED]; Costa, Paulo [REDACTED]
[REDACTED] Sackler,
Beverly [REDACTED] Sackler,
David [REDACTED]; Sackler, Dr
Kathe [REDACTED]; Sackler, Dame
Theresa [REDACTED]; Sackler, Dr Raymond
[REDACTED]; Sackler, Dr
Richard [REDACTED]; Sackler,
Jonathan [REDACTED]; Sackler Lefcourt,
Ilene [REDACTED]; Snyderman,
Ralph [REDACTED]
[REDACTED]; Baker, Stuart D. [REDACTED]
[REDACTED]; Gasdia, Russell [REDACTED]
[REDACTED]; Mahony, Edward [REDACTED]
[REDACTED]; Mallin, William [REDACTED]
[REDACTED]; Rosen, David (Sales and Marketing) [REDACTED]
[REDACTED]; JHS (US) [REDACTED]

From: Stewart, John H. (US)
Sent: Sun 7/7/2013 11:06:43 AM
Subject: June Flash Report - McKinsey OxyContin Project
[20130707104023657.pdf](#)

Mortimer

McKinsey is performing an independent, detailed analysis of the of the factors that are affecting/driving OxyContin's current sales/prescription performance – including such factors as the performance of the overall market, OxyContin positioning and messaging, prescriber segmentation and targeting, salesforce execution, MCO coverage of Oxy and its impacts, medical/scientific support, S&P spend levels and characteristics of new to brand patients. I have attached a copy of a document that describes the workplan in greater detail.

McKinsey was selected on the basis of the quality of the work they have already do for us with respect to OxyContin, and also because of their great familiarity with us, the product and the issues it is facing – as well as the positive factors such as the abuse-deterrent properties and findings of the epidemiologic studies. As a result, they were able to begin the analytics substantially earlier – and we are very interested in receiving a report in time to take action to positively influence 2013 performance of the product.

The cost for the project is \$850,000.00, and there is a potential to add a second phase in which McKinsey would work with us to develop and oversee the execution of a plan to pursue the greatest opportunities for boosting growth – that arise out of the current project. The cost of Phase 2, should we proceed, would be approximately \$1 million .

John

From: Sackler, Mortimer D.A.
Sent: Saturday, July 06, 2013 11:14 PM

To: Mahony, Edward

Cc: Boer, Peter; Lewent, Judy; Pickett, Cecil; Costa, Paulo; Sackler, Beverly; Sackler, David; Sackler, Dr Kathe; Sackler, Dame Theresa; Sackler, Dr Raymond R; Sackler, Dr Richard; Sackler, Jonathan; Sackler Lefcourt, Ilene; Snyderman, Ralph; Baker, Stuart D.; Stewart, John H. (US)

Subject: Re: June Flash Report

Ed,

How much is the McKinsey work costing and how were they selected vs say Bain? What are they specifically doing for us?

Regards,

Mortimer

On Jul 5, 2013, at 3:12 PM, "Mahony, Edward" <[REDACTED]> wrote:

Colleagues,

The following is a flash financial report. This report focuses on sales, cash and material financial developments, if any. The report focuses on variances to the 2013 Mid-Year Forecast presented in June which projected a reduction in net sales from budget of \$303.1 million, as a result in lower forecasted sales for OxyContin and Intermezzo.

Full financial statement for June will be published next week.

NET SALES

Net Sales for the six months ending June were \$981.2 million --- \$83.6 million lower than the same period last year and \$52.0 million or 4.3% under the mid-year forecast. The reason for the under mid-year forecast sales performance is temporary fluctuations in trade stocking, discussed below. The underlying demand is tracking at or very close to the mid-year forecast.

OxyContin

OxyContin net sales for the six months ending June total \$878.9 million --- \$42.1 million below the mid-year forecast and \$96.4 million lower than the same period last year. The variance vs. mid-year forecast is due to:

- a. OxyContin demand – as reported by IMS -- is running in line with the mid-year forecast.
- b. OxyContin trade inventory is running \$40.9 million below the mid-year forecast. At the end of June, trade inventory was low – 1.6 months for wholesalers and pharmacy combined. Trade inventories should be back closer to 1.8 months when orders in house at the end of June were shipped earlier this week (net sales value \$32 million).

Other influences of future demand:

- a. The 2013 budget assumed that the analgesic sales force would have OxyContin as the primary focus in 50% of all calls up from 30% at the end of 2012. That would have resulted in 181 thousand primary OxyContin sales calls in the first 6 months of 2013. Due to vacancies and a slower than expected implementation of this change, OxyContin was the primary focus in about 117 thousand sales calls through the end of June, 64% of target. Q3 target lists have been issued to the field force and OxyContin primary sales calls are increasing to 44% of all calls --- approaching the 50% target when secondary calls are added at ½ the value of a primary.
- b. McKinsey has been engaged to work with Sales & Marketing to identify opportunities to improve performance of OxyContin. A preliminary report of this work will be made at the July 25th Board meeting.

Butrans

Butrans net sales for the six months ending June were \$51.1million --- \$8.0 million below the mid-year forecast and \$10.5 million above the same period last year. The net sales miss is driven by contraction in trade inventory and prescriptions running slightly below the mid-year forecast. The mid-year forecast assumes full year Butrans net sales of \$127 million, the same as budget. The analgesic sales force made 213 thousand primary Butrans sales calls through the end of June vs. budget of 182 thousand calls, or 117% of target.

Intermezzo

The mid-year forecast assumes full year Intermezzo net sales of \$10.6 million versus budget of \$44 million. Prescriptions as reported by IMS are in line with forecast.

Cash and Short Term Investments

At the end of June, unrestricted cash and short term investments totaled \$839 million --- which is \$15 million higher than forecast. This temporary higher-than-forecast cash balance is due to timing of payments. Actual cash payments during the month included Board approved payments related to the Pike County settlement (\$4 million) and the Better Medicine Awards (\$9.1 million).

Material Financial Event in the Month

None noted.

Best Regards,
Ed

<2013 June Sales Analysis Monthly Package v3.pdf>